

Message Text

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ACTION EB-08

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SUBJECT: GOVERNMENT OUTLINES MAJOR INVESTMENT PROJECTS

REF: (A) ATHENS A-16, (B) USDOC 3877

1. DURING A MEETING LAST WEEK WITH SENIOR ECONOMIC MINISTERS AND BANKERS, PRIME MINISTER CARAMANLIS OUTLINED DETAILS OF FOLLOWING MAJOR INVESTMENT PROJECTS, SOME OF WHICH HAVE BEEN IN THE PLANNING STAGE FOR TWO YEARS OR MORE (SEE REFS BELOW:)

(A) ESTABLISHMENT OF A DOLS 640 MILLION PETROCHEMICAL COMPLEX BY HELLENIC INDUSTRIAL AND MINING INVESTMENT COMPANY (HIMIC) AT NEA KARVALI NEAR KAVALA (76 ATHENS A-207). THE PROPOSED COMPLEX WOULD RESULT IN PLANNED ANNUAL FOREIGN EXCHANGE SAVINGS OF DOLS 143 MILLION, BROADEN THE INDUSTRIAL BASE AS GREECE APPROACHES ECM MEMBERSHIP, CREATE NEW JOB OPPORTUNITIES, AND STIMULATE SATELLITE INDUSTRIAL AND HANDICRAFT ENTERPRISES. KAVALA WAS SELECTED FOR THE PROJECT BECAUSE OF PROSPECTS FOR EXPLOITABLE OIL AND NATURAL GAS IN THE AREA AND GOG REGIONAL DEVELOPMENT POLICY

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(B) THE HELLENIC INDUSTRIAL DEVELOPMENT BANK (ETVA) AND THE NATIONAL INVESTMENT BANK FOR INDUSTRIAL DEVELOPMENT (NIBID) WILL JOINTLY ESTABLISH A DOLS 60-70 MILLION UNIT FOR EXPLOITATION OF ASBESTOS DEPOSITS NEAR KOZANI (76 ATHENS 3897). THEY WILL ALSO UNDERTAKE DEVELOPMENT OF A FERRO-CHROME INDUSTRY.

(C) HIMIC HAS BEEN ASSIGNED A DOLS 50 MILLION PROJECT TO RAISE ANNUAL SALT PRODUCTION OF MESSOLONGHI SALT PANS TO 450,000 TONS AND EVENTUAL ESTABLISHMENT OF A COMPLEX TO INCLUDE PRODUCTION OF SODIUM CARBONATE, SODIUM BICARBONATE AND OTHER PRODUCTS (76 ATHENS 7571).

2. DURING THE MEETING, PROCEDURES WERE DISCUSSED FOR SIMPLIFICATION AND MODERNIZATION OF INVESTMENT AND NEW INVESTMENT INCENTIVES ON THE EC MODEL, AND INCREASED LOCAL BANK FINANCING. FAVORABLE PROSPECTS FOR INCREASED GREEK EXPORTS TO THE MIDDLE EAST AND EXPANDING OPERATIONS OF GREEK CONSTRUCTION FIRMS ABROAD WERE ALSO NOTED. FINALLY, ETVA ANNOUNCED LONG-TERM PLANS FOR A 20 BILLION DRACHMA EXPENDITURE TO EXPAND EXISTING INDUSTRIAL ZONES AND ESTABLISH NEW ZONES TOTALING 11,500 ACRES

3. COMMENT: DURING A DISCUSSION WITH EXIM BANK AND EMBASSY OFFICERS, HIMIC'S INVESTMENT ADVISOR GAVE US MORE DETAILS ON THESE INVESTMENT PROJECTS. THE FEASIBILITY STUDY FOR THE PETROCHEMICAL COMPLEX WAS SUBMITTED TO THE GOG BY FOSTER-WHEELER (ITALY) IN JANUARY

, AND NOW HAS GOVERNMENT APPROVAL. IT FORESEES A 200,000 TON/YEAR ETHYLENE CRACKER PLANT, A 140,000 TON/YEAR LOW-DENSITY POLYETHYLENE PLANT, A 50,000 TON/YEAR HIGH-DENSITY POLYETHYLENE PLANT, A 50,000 TON/YEAR POLYPROPYLENE PLANT, 90,000 TON/YEAR VCM AND PNC PLANTS, A 60,000 TON/YEAR CAUSTIC SODA PLANT AND A 330,000 TON/YEAR AMMONIA PLANT. THE NEXT STEP WILL BE TO DECIDE WHETHER ALL PLANTS SHOULD BE CONSTRUCTED SIMULTANEOUSLY OR IN STAGES, BEGINNING WITH THOSE WHOSE PRODUCTION THE LOCAL MARKET CAN NOW ABSORB. IT WILL BE AT LEAST A DECADE BEFORE THE ENTIRE COMPLEX IS UNCLASSIFIED

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COMPLETED. HIMIC PLANS TO DISCUSS JOINT VENTURES OR TECHNICAL COOPERATION WITH FIRMS HAVING APPROPRIATE TECHNOLOGY AND WELCOMES PLANNED APRIL 26-28 COMMERCE PETROCHEMICAL MISSION (REF B). ACCORDING TO GREEK LAW, FIFTY PERCENT OF THE CAPITALIZATION MUST BE GREEK. BIDS FOR ENGINEERING DESIGNS MAY BE TENDERED IN A YEAR OR MORE. ACCORDING TO THE INVESTMENT ADVISOR, THE COMPLEX WOULD USE NAPHTHA OR GASOIL FROM GREEK REFINERIES; LOCAL CRUDE PRODUCTION WOULD FURTHER SAVE FOREIGN EXCHANGE, BUT THE VIABILITY OF THE PROJECT DOES NOT DEPEND ON IT

4. THE PETROCHEMICAL PROJECT SEEMS TO BE WELL-CONCEIVED IN THAT IT WILL PROCEED IN STAGES, AT A PACE ALLOWING LOCAL DEMAND TO ABSORB THE OUTPUT, WHILE AT THE SAME TIME HELPING THE BALANCE OF PAYMENTS BY SUBSTITUTING FOR IMPORTS. IT MAY ALSO OFFER OPPORTUNITIES FOR U.S. FIRMS IN THE EXPORT AND CONSTRUCTION FILEDS AS PLANS PROCEED. THE ASBESTOS AND SALT PLANTS ARE CLOSER, HOWEVER, TO THE ACTUAL CONSTRUCTION STAGE, AND MAY BE TENDERED WITHIN THE YEAR. THE APPROVAL OF THESE INVESTMENT PROJECTS HAS POSITIVE IMPLICATIONS FOR GREEK ECONOMIC DEVELOPMENT, AND THE

GOVERNMENT, WHICH HAS BEEN CONCERNED ABOUT THE LACK OF PRODUCTIVE
INVESTMENT IN GREECE, APPEARS TO BE TAKING A MORE ACTIVE ROLE
IN ENCOURAGING AND CATALYZING INDUSTRIAL DEVELOPMENT IN GREECE.
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